

## The 'Energy-Climate' package in Europe for 2020-2030: the ETUC's priorities for a Just Transition (ETUC position)

Adopted at the ETUC Executive Committee on 21-22 October 2014

The months ahead will be crucial in the battle against climate change in Europe and around the world. The European Union is due to be putting in place a political framework for itself to cover the years 2020-2030, specifically with an eye to the Paris Conference in 2015. The European Council in October 2014 should be adopting a decision on the main objectives and architecture of this framework. This decision should then be followed by legislative initiatives to implement the major thrusts decided by the European Council. Against this background, the purpose of the present resolution is to set out the ETUC's main proposals to establish a European political framework to smooth the way for a 'just transition'.

### **No employment and social justice on a devastated planet**

The IPCC's fifth evaluation report recalled that the Earth's climate is warming up because of human activities. The effects of this warming can already be observed, and the impact on ecosystems, biodiversity, and human societies will become more acute in the years ahead. Given the devastating effects of global warming, the status quo is not an option. Solidarity with both today's younger generations and those populations most vulnerable to the consequences of global warming imposes an obligation to drastically drive down global greenhouse gas emissions.

No society striving for fairly shared prosperity can be built in a devastated environment. The ETUC reasserts that protecting the planet is a precondition for prosperity and social justice, and that it is therefore a matter of urgency for the political decisions taken to meet the challenges posed by global warming. There can be no question of using the crisis or the economic competition inherent in a globalised economy as a pretext to stall or dilute policies designed to drive down greenhouse gas emissions.

The problems of mass unemployment and growing inequalities in Europe will not be solved by sacrificing any environmental ambition. All these challenges must be tackled with the same determination. This is why the ETUC is promoting the idea of 'just transition', which while aiming to reduce the negative impact of human activities on the climate and the environment, also promotes social dialogue, worker participation quality employment, the right to education, social protection and workers' rights. In accordance with the Agenda 21, trade union organisations must be involved in the design and implementation of national sustainable development plans. While there is no employment and social justice on a devastated planet, neither can there be any policy of environmental transition without a strong social dimension.

The ETUC acknowledges that the transition towards a low-carbon economy will raise greater challenges for sectors and regions heavily depending on coal and gas power and for countries with energy intensive industries and their value chains contributing to a large part of their GDP. The ETUC demands to the EU and its Member States to actively tackle these challenges through a just transition strategy suited to national circumstances that includes union engagement, investment in low-carbon technologies and skills and a strong public-led energy infrastructure investment. The ETUC urges the EU Commission to come forward with specific proposals to address the social impact of its de-carbonisation strategy for regions and sectors where the benefits of a low-carbon economy are more difficult to secure.

## **No low-carbon Europe without international agreement and no international agreement without an ambitious Europe**

The United Nations conference in Paris in 2015 has to produce a global agreement that is sufficiently ambitious in terms of reducing greenhouse gas emissions to keep global warming below the tipping point of two degrees Celsius. The ETUC believes it is essential for all the planet's economies to be subject to comparable, but not identical, binding objectives, in line with the principle of a common but differentiated responsibilities. Without a global regulatory framework, including robust verification and enforcement procedures, and creating fair competition conditions, the efforts undertaken by the most willing countries are bound to clash with the imperatives of competitiveness inherent in the current economic system.

The adoption by the European Union of a regulatory framework for 2020-2030 is a necessary condition for the conclusion of an international agreement in Paris in 2015, but it is also an economic, social and political necessity for a Europe which is being undermined by its dependence on imported energy. Bolstering 'energy efficiency' and 'renewable energy sources' will help ensure energy security, generate huge environmental benefits, and represents an opportunity for job creation that must be exploited.

The ETUC believes that the 2030 energy-climate package must include the following elements if it is to trigger a just low-carbon transition which is compatible with the objectives of both driving down emissions, in accordance with the EU target for 2050, and creating jobs:

- A general objective of reducing greenhouse gas emissions by at least 40% compared to 1990;
- A European objective of at least 30% of renewables in the final energy mix;
- An objective of reducing primary energy consumption by at least 40 % compared to 2005;
- If an EU energy community was created (with legal competences and higher financial means for the EU), a set of EU-wide targets would perfectly make sense. Without an appropriate framework enhancing the Europeanisation of energy policy, EU targets should be combined with binding national objectives taking into consideration the geographical, economic and social characteristics of the Member States. In the current context, national targets are essential to guarantee the effectiveness and stability of the policy framework as well as to trigger investments and create quality jobs;
- The current debate on the 2020-2030 period should not contribute to fade away the importance of the 2020 targets. In particular for what relates to energy efficiency, where progress has been too limited so far, binding energy efficiency targets should be set up at European and national level to achieve at least an improvement of 20% by 2020, with a clear role for worker participation and training.

The current operation of the EU Emissions Trading Scheme (ETS) raises a string of questions on which the ETUC has expressed its opinion in the resolution adopted by its Executive Committee in June 2013<sup>1</sup>. In the months ahead, the EU will need to adopt some crucial decisions to make this system, which is expected to be a key element in Europe's fight against climate change, an instrument for a low-carbon transition for industrial sectors and energy production in Europe. The ETUC recalls that whatever the technical solutions ultimately adopted may be, they have to deliver:

- A permanent reduction of the number of allowances available in order to deliver a price signal able to direct investments towards the greenest technologies;

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<sup>1</sup> [http://www.etuc.org/documents/etuc-position-fight-against-climate-change-europe-and-world#.U7K\\_5\\_mSzrx](http://www.etuc.org/documents/etuc-position-fight-against-climate-change-europe-and-world#.U7K_5_mSzrx)

- Massive financial support for low-carbon technological innovation and just transition in Europe, by recycling a significant share of income from the auctioning of emissions allowances into a fund dedicated to low-carbon innovation in countries covered by the ETS;
- Specific support for the energy-intensive manufacturing sectors which are effectively exposed to a significant risk of carbon leakage. Yet, support measures must avoid to delay the transition to a low-carbon industry and enabling windfall profits. These measures should be conditional to investment plans from industries to promote energy efficiency and to use best available technologies.

Europe's policy on combating climate change has directed much of its effort at curbing greenhouse gas emissions by 2020 towards manufacturing industry and energy production. While the objective imposed on the sectors covered by the European ETS for 2020 was a reduction of 21% compared to 2005 emissions, the objective in the other sectors (transport, buildings, etc.) was to reduce emissions by 10%, again compared to 2005. Without denying the importance of efforts at reducing process emissions for the industrial and energy sectors, stronger ambitions are required in the workplace through union-led green workplace projects, and in sectors like transport or buildings, which are less likely to generate relocations of activities and job losses. On the contrary, ambitious policies promoting sustainable transport, low-carbon construction, domestic energy efficiency and green workplace projects to save energy and resource use at work will generate investments that will create skilled, sustainable jobs. Increasing the ambition of emission reduction in the transport and construction sectors must not be used to lower the targets for the manufacturing sectors and energy.

At the moment, the European framework for fighting climate change is focused on the greenhouse gases emitted within the territory of the EU Member States<sup>2</sup>, but it overlooks the emissions caused by the production of goods imported into the EU. This loophole generates environmental ineffectiveness, because it disguises a significant share of the emissions linked to the lifestyle of the industrialised countries. It is also socially unfair to European workers, since for the same carbon content, a good produced in Europe pay a "carbon tax" on its carbon content, whereas a good produced outside the European ETS do not. This is unfair to EU industry and calls for the development of a European strategy covering production and consumption, one that could obviously be adapted depending on the outcome of the 2015 international negotiations. Aside from the elements set out above with regard to the European ETS, the latter would be based on:

- The set-up of indicators relating emissions to the levels of production in the ETS sectors (i.e. tons of CO<sub>2</sub> per ton of product) , to help identify how emissions are reduced in Europe, whether by improving efficiency in industry or for reasons such as relocation of production to third countries;
- Better incorporation of the carbon footprint of goods when consumer taxes are imposed (carbon traceability and carbon tax);
- Bilateral commercial agreements making it possible to impose taxation on products whose carbon footprint exceeds the level of performance of the most efficient European installations in the corresponding sector, in accordance with international trade law;
- As a measure of last resort, border adjustment measures should be considered, notably to provide compensation for export industries subjected to an additional cost caused by the European climate and energy framework 2030 and which have to compete on international markets with companies not exposed to similar costs. This should be done in accordance with international trade law;
- Support measures, including state aids, for activities of common interest which are essential for the transition to a low-carbon economy.

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<sup>2</sup> Even though the ETS also covers Iceland, Norway and Liechtenstein.

The ETUC repeats its call for the adoption of a roadmap towards a just transition, which would seek on the one hand to mitigate the potential negative social impacts of the switch to a low-carbon economy and on the other to exploit the potential for quality jobs in the green economy. The ETUC notes the proposals issued in the framework of the European Commission's 'Green employment initiative', but equally recalls that a just transition implies the active involvement of social partners to develop green economic strategies, investment in new low carbon technologies, maintaining quality jobs, active worker participation, respect for workers' rights, the greening of skills via training and retraining, and finally effective social protection systems.

### **No just transition in Europe without a genuine industrial project**

The transition to a low-carbon economy is crucial for the project of reindustrialising Europe. The transition must be the vector for the transformation of Europe's industrial fabric, not its weakening or disappearance. Manufacturing industry is vitally important for Europe, both in macroeconomic terms and in terms of employment. There can be no question of a drop in greenhouse gas emissions if it is primarily achieved as a result of the economic downturn or through the relocation outside Europe of the industrial activities that generate the most emissions. The transition must seek on the one hand to ensure the continuation of manufacturing activities in Europe while incorporating the objectives of sustainable development; it must also enable the creation of new jobs in branches which will need to develop in the context of a low-carbon economy. Not only are these branches of strategic importance for Europe's energy future, they can also help European industry to embed itself in a good position on international markets which will necessarily be expanding in the years ahead.

The low-carbon transition in Europe has to become a genuine industrial project. The European ETS, which seeks to drive down emissions in the industrial and energy-production sectors, via a price associated with each tonne of carbon reflecting their negative externalities, will not suffice to develop the branches Europe will need if it is to become a front-line player in the low-carbon economy.

The ETUC believes that on top of the measures suggested to reform the European ETS, making the low-carbon transition into an industrial opportunity implies:

- Reinforcement of the work at the level of the sectors, with the social partners, to improve the identification of the strategic long term infrastructures and technologies and best available techniques, the needs in terms of skills and qualifications and the investment strategies emerging from them;
- Deepening of the involvement of the regions, since many regions have competences which could help leverage industrial policy and the low-carbon transition. The instruments in the cohesion policies should be mobilised more systematically to that end;
- Greater mobilisation of the European budget and the EU's financial instruments so as to support low-carbon innovation via the funding of research and development projects, and projects to demonstrate low-carbon industrial technologies. To this end, a European mechanism making it possible to devote some of the income from the auctioning of emissions allowances to the funding of projects to demonstrate innovative low-carbon technologies for industry and energy production should be put in place. As stressed in the 'Roadmap for moving to a low-carbon economy in 2050', the rapid deployment of low-carbon technologies, will have a pivotal role in the transition, in particular in terms of allowing the industrial sectors to achieve the objectives of decarbonisation by 2050. The support to low-carbon technologies should target inter alia technological development in the fields of energy efficiency, renewables, energy storage and distribution, but also carbon capture and storage for both power and industry, when and where this technology is cost-efficient, while avoiding lock-in situation with carbon-intensive technologies;

- Better support for the development of branches in the sectors of the future, based on the search for complementarity and synergies with the traditional manufacturing sectors. We demand commitments from governments and the EU to massive public investment in greening jobs, in greening public workplaces and infrastructure, renewables research and development;
- The protection of European industry from unfair commercial practices on the part of third countries as well as within the EU;
- Trade union participation must be ensured in order to guarantee that worker's concerns are taken into account;
- The development of a circular economy based on life cycle assessment and alternative business models such as usage-based contracts and performance-based contracts.

### **No just transition without a genuine European energy policy**

Europe's energy landscape needs to change. The EU imports over half of the energy it needs, which is creating a situation of dependence and thus of vulnerability. This situation is particularly problematic for the Member States which remain dramatically isolated from the rest of Europe from the energy point of view. Europe's energy production installations are ageing, as can be seen in particular from the average age of its nuclear power plants. Fossil fuels still provide almost three quarters of the energy consumed in Europe. Europe's high energy prices are one factor forcing many of its citizens into poverty, and they hamper competitiveness in some economic sectors. The EU dependence on imported energy products has led to a structural trade deficit of more than 420 bn Euros (Eurostat figures 2012). Moreover, the production and consumption of energy involve serious impacts on the environment and human health. For these reasons, energy wastage should be dramatically reduced and the EU needs to plan a gradual decommissioning of the most polluting and dangerous power plants.

Faced with all these challenges, strategies operating at a purely national level are doomed. A European energy community should be created so as to put in place a sustainable, safe and low-carbon energy system, as well as ensuring security of supply, energy autonomy, universal right to energy and competitiveness in the energy-intensive sectors facing fierce international competition. An initiative of this kind, while respecting strategic information, would give the EU a mobilising project and would represent a move away from the current energy policy which remains fragmented and based on the logic of the market and of privatisation, and devoid of any social dimension. The cost of the energy transition should be shared in a fair way between the different categories of consumers (households and industries) as well as between the different categories of income. Energy taxation must avoid to increase social inequalities.

In December 2010, the ETUC adopted a 'Resolution on Energy Strategy for Europe 2011-2020'<sup>3</sup>. The major demands in the document remain entirely topical, in particular the call for measures to reinforce energy solidarity in Europe. In addition, the development of domestic energy sources which are sustainable and safe, joint planning of national infrastructures, the harmonisation of energy taxation for businesses, the promotion and investment in decentralized energy generation and, the setting up of smart networks and storage capacities across the territory of Europe, interconnection with the networks in the countries bordering the EU, partly for the sake of promoting co-development of energy policies, and the negotiation of single tariffs for energy supply, are also among the factors which are essential if the EU is to achieve an energy policy that will enable it to face up to its challenges. A European energy policy likewise needs to create quality jobs and safeguard career paths for workers who would be affected by the transformation of the European energy landscape, in line with the principles of 'just transition'. Workers organisations should be closely involved in the decision-making procedures, especially for sectors directly affected by the changes in the energy landscape.

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<sup>3</sup> <http://www.etuc.org/documents/resolution-energy-strategy-europe-2011-2020#.U7aqLcqcSYk>

Energy is an issue of common interest and the implementation of a European energy community also implies critically evaluating, in that perspective, the performance of the energy market and studying the timeliness of a modification to the institutional framework giving the EU the necessary competences. Ultimately this implies considerably increasing the funding that the EU devotes to energy. The ETUC calls the upcoming European Commission to dedicate at least one third of its future investment plan to the modernization of its energy system. Only an ambitious investment plan, such as the ETUC investment plan “A New path for Europe”, will give Europe a sustainable and competitive energy system that is accessible to all citizens.